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NEWS ADVISORY

STATE AGREES TO PRELIMINARY INJUNCTION

(For Immediate Release)
Salt Lake City, Utah – The State of Utah has consented to the temporary postponement of recent amendments to the state's securities laws which were adopted in the special session of the legislature in May. S.B. 3004 requires securities brokerage firms to report to the State Division of Securities information on all the transactions involving the stock of Utah companies that were not settled on a timely basis.

The law was designed to provide more information to investors and Utah companies about trades which did not settle on time or which might indicate abusive short selling, whereby some traders sell stock they do not own in an effort to drive down stock prices. To the extent that abusive short selling occurs or to the extent that investors do not receive shares that they purchase, the markets are not operating efficiently. The new legislation was an effort to provide more transparency and fairness to the markets.

Since the law was enacted in May, there have been several significant developments toward the same goal. The United States Senate has held two hearings into hedge fund and short selling abuses. On July 19, 2006, the Securities and Exchange Commission proposed changes to its regulations governing short selling. If those proposals are adopted, the ability of traders to engage in abusive short selling will be severely constrained. Regulators have brought an increasing number of enforcement actions against traders and brokers engaged in short selling violations.

On July 28, 2006, the Securities Industry Association filed suit in federal court to halt implementation of Utah's new law, arguing that some of the specific terms of the state law were preempted by federal law. Representatives of the securities industry have since met with state officials expressing a preference for a uniform national solution to any problem which may exist regarding settlement failures. While the representatives have expressed appreciation for the state's efforts in raising awareness, they said the state's requirements would be difficult and costly to implement, might work against the SEC's efforts to devise a national solution, and might result in reduced trading in the stock of companies based in Utah.

The state has agreed to a court order that the implementation of the law be postponed from October 1 to June 1, 2007. This will give more time for policy makers to determine whether the changes proposed by federal regulators make the Utah law unnecessary.

"We're satisfied to allow the SEC a window of opportunity to develop a comprehensive solution," said John Valentine, President of the Utah Senate. "Their success will benefit companies and investors, not just in Utah, but throughout the nation. If acceptable solutions are not developed at the federal level, Utah stands ready to implement its statute after June 1, 2007."

"Individual investors and the integrity of the markets are at serious risk from high numbers of settlement failures. To the extent that abusive short selling increases the number of settlement failures or contributes to market manipulation, regulators have a duty to investigate and take action," said Wayne Klein, Director of the Utah Securities s Division. "We applaud the efforts of the SEC to reduce opportunities for short selling abuses through its current proposal to amend the federal regulation on this issue. The enforcement actions now being brought by federal regulators to prevent these abuses also will go a long way towards improving market transparency and fairness to investors." Klein hopes that these moves can result in a common effort by state and federal regulators.

"It makes irrefutable good sense for the State of Utah to defer and allow the federal regulatory authorities to fully engage the industry on these important issues, before the State embarks upon protracted and costly litigation." said Scott Reed, lead counsel from the Utah Attorney General's office, who is defending the lawsuit. "But investors, large and small, need to be assured in every way possible of a level playing field." Reed believes the agreement to place enforcement of the new statute on hold is likely to save both the industry and the State of Utah millions of dollars, giving the federal Securities and Exchange Commission an opportunity to re-define market practices in this area.

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